

IN THE UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF DELAWARE

MBIA INSURANCE :
CORPORATION AND WELLS :
FARGO BANK, N.A. (f/k/a :
WELLS FARGO BANK :
MINNESOTA N.A.) AS :
TRUSTEE OF SFC GRANTOR :
TRUST, SERIES 2000-1, SFC :
GRANTOR TRUST, SERIES :
2000-2, SFC GRANTOR :
TRUST, SERIES 2000-3, SFC :
GRANTOR TRUST, SERIES :
2000-4, SFC GRANTOR :
TRUST, SERIES 2001-1, SFC :
GRANTOR TRUST, SERIES :
2001-2, SFC OWNER TRUST :
2001-I, AND SFC GRANTOR :
TRUST, SERIES 2001-3, :

Plaintiffs/Counterclaim:
Defendants, :

vs. :

ROYAL INDEMNITY COMPANY, :
Defendant/Counterclaim :C.A. NO.
Plaintiff. :02-1294-JJF

ROYAL INDEMNITY COMPANY, :
Third-Party Plaintiff, :

vs. :

ANDREW N. YAO, STUDENT :
LOAN SERVICING LLC, :
STUDENT LOAN ACCEPTANCE II :
LLC, STUDENT LOAN :
ACCEPTANCE III LLC, :
STUDENT LOAN ACCEPTANCE :
III LLC, STUDENT :
LOAN ACCEPTANCE V LLC, :
STUDENT LOAN ACCEPTANCE :
VIII LLC, STUDENT LOAN :
ACCEPTANCE IX LLC, SFC :
FINANCIAL LLC I, SFC :
FINANCIAL LLC II, SFC :
FINANCIAL LLC VI, SFC :
FINANCIAL LLC VII, :

TRACK(II)WITNESS:
PATRICIA KARTHA
VOLUME I

DATE:

Third-Party Defendants.: OCTOBER 4th, 2006

1 PATRICIA KARTHA, having been 09:37:06
2 duly sworn, was examined and testified as
3 follows:

4 - - -

5 EXAMINATION 09:37:06

6 - - -

7 BY MR. BARNOWSKI:

8 Q. Good morning.

9 A. Good morning.

10 Q. Could you state your full name for the 09:37:18
11 record?

12 A. Patricia Marjorie Kartha.

13 Q. How old are you, Ms. Kartha?

14 A. 42.

15 Q. Where do you live? 09:37:27

16 A. Do you need my address?

17 Q. Sure.

18 A. 5901 Castor Avenue, Philadelphia,
19 Pennsylvania 19149.

20 Q. Have you ever given a deposition before? 09:37:39

21 A. Yes.

22 Q. I think I know the answer to this, but
23 I'll ask it anyway. The answer is yes?

24 A. Yes.

25 Q. How many times? 09:37:45

1 Did you have a title, a formal title, at 09:48:50

2 SFC?

3 A. Accounting manager.

4 Q. Were there any other accountants on

5 staff ever? 09:49:00

6 A. Yes. There were internal auditors at
7 the end. Well, before I left. And -- there
8 were people with accounting I think degrees,
9 but ...

10 Q. Did they work for you? 09:49:29

11 A. No. Most of the people that worked for
12 me were clerical.

13 Q. Okay. You said there were internal
14 auditors. Who were the internal auditors at
15 the end? You know what, strike that. Let me 09:49:39
16 ask you a different question. When you say
17 "at the end", are you talking about the end of
18 your employment?

19 A. Of my employment, thank you.

20 Q. So, you're talking about in 2000? 09:49:48

21 A. In 2000.

22 Q. Who were the internal auditors in 2000?

23 A. I think the first one -- her first name
24 was Kathleen or Katherine and I don't remember
25 her last name and after she left, there was 09:49:56

1 such conversations? 10:03:37

2 A. Correct.

3 Q. Did you ever wonder whether it was
4 proper?

5 MR. SHAPIRO: Form. 10:03:45

6 THE WITNESS: I don't
7 remember.

8 BY MR. BARNOWSKI:

9 Q. You don't remember if you ever wondered
10 that? 10:03:53

11 MR. SHAPIRO: Same objection.

12 THE WITNESS: No, I don't
13 remember thinking that at all.

14 (Whereupon, the court
15 reporter marked Exhibit 229 (II) for 10:04:08
16 identification.)

17 BY MR. BARNOWSKI:

18 Q. I'm sorry, I seemed to have misplaced
19 something I wanted to use. 229, Roman two,
20 the exhibit. Take a look at that, if you 10:06:32
21 would, for a second. I have some questions
22 for you about it.

23 MR. EPSTEIN: Do you have
24 another one of these?

25 MR. BARNOWSKI: I don't. I 10:06:55

1 passed them all around. 10:06:55

2 BY MR. BARNOWSKI:

3 Q. This is a general ledger printout.

4 Pages from SFC's general ledger from 1996

5 through 2002. Have you ever worked with the 10:07:34

6 general ledger of SFC before?

7 A. Yes.

8 Q. What does the general ledger show?

9 A. The financial transactions in and out of
10 the company. 10:07:52

11 Q. The pages I printed are the payments,
12 the interest payments, made by SFC to the
13 various members of the Gagne family. Would
14 you agree with that?

15 A. Yes. 10:08:07

16 Q. In 1996 I show Robert Bast as receiving
17 a \$102,000 in interest payments from SFC and
18 Pamela Gagne receiving 34,000 for a total of
19 136,000. Does that look about right to you?

20 A. Yes. 10:08:28

21 Q. Who is Pamela Gagne, do you know?

22 A. Rod Gagne's wife.

23 Q. Do you know why the company was paying
24 Robert Bast and Pam Gagne \$136,000 in 1996?

25 A. It's interest on loans. 10:08:43

1 there's handwriting and highlighting. 11:02:12

2 MR. SHAPIRO: I'm sorry, I
3 just gave you my highlighted copy, I
4 apologize.

5 MR. BARNOWSKI: Okay. 11:02:49

6 BY MR. SHAPIRO:

7 Q. Let me refer your attention to the
8 e-mail on the top of the list which is from
9 you to Carolyn Pontius, CCed Gary Hawthorne
10 and Frank Martinez dated October 29th, 1997. 11:03:21

11 Do you see that e-mail?

12 A. Yes.

13 Q. All right. And the subject line says,
14 "RE reserve payments posting", do you see
15 that? 11:03:36

16 A. Yes.

17 Q. All right. Now, in the last paragraph
18 before you say thanks, you say, "I consider
19 this document management material only". You
20 have that underlined. What did you mean by 11:03:46
21 that?

22 A. That what is attached to this document
23 is only for the eyes of the management of the
24 company?

25 Q. All right. Now, I noticed that Rod 11:03:58

1 Gagne and no one from Pepper is copied on this 11:04:02
2 e-mail?

3 A. Correct.

4 Q. All right. Does that mean you did not
5 consider Rod Gagne or anyone from Pepper to be 11:04:08
6 part of the management of SFC?

7 MR. BARNOWSKI: Object to the
8 form.

9 THE WITNESS: No, I never
10 considered Rod Gagne part of management at 11:04:15
11 SFC.

12 BY MR. SHAPIRO:

13 Q. Do you remember anything about the
14 information that is attached to this e-mail?

15 A. Yes. 11:04:48

16 Q. What do you remember?

17 A. I believe I wrote it and it outlines how
18 the SFC loans were booked and how student
19 funding was booked through the accounting
20 system. 11:05:05

21 Q. And it was this information on the
22 attached documents. Just so I'm clear, on the
23 record it's WSFC0758839 through 41. Three
24 pages at the end. That's what you considered
25 to be management material only? 11:05:25

1 A. Yes. 11:05:26

2 Q. I think you previously mentioned that
3 SFC had a board of directors?

4 A. Yes.

5 Q. All right. Do you remember who was on 11:05:45
6 the board of directors?

7 A. I know that Andrew was on the board of
8 directors. I believe that Perry was. It's
9 possible that Frank was also, but I don't
10 remember for sure. 11:06:03

11 Q. Okay. Do you know whether the board of
12 directors ever held meetings?

13 A. I was never involved in that so, no, I
14 don't know.

15 Q. Sort of anticipated my next question. 11:06:15
16 Did you ever attend a meeting of the board of
17 directors of SFC?

18 A. No, not that I can remember.

19 Q. Do you know whether SFC had management
20 committees? 11:06:27

21 MR. BARNOWSKI: Object to the
22 form.

23 THE WITNESS: I'm not sure
24 what you mean by that.

25

1 BY MR. SHAPIRO: 11:06:35

2 Q. Well, for example, a credit committee?

3 MR. BARNOWSKI: Object to the
4 form.

5 THE WITNESS: I don't know. 11:06:39
6 Not that I know of.

7 BY MR. SHAPIRO:

8 Q. Do you remember attending a meeting of
9 any committee of SFC?

10 A. Just managers meetings. That's all I 11:06:47
11 can remember.

12 Q. Do you ever remember any -- Rod Gagne
13 being present at any management -- managers
14 meeting that you attended?

15 A. No, he was not present. 11:07:00

16 Q. Do you remember anyone else from Pepper
17 Hamilton ever being present at any managers
18 meeting that you attended?

19 A. No, I don't.

20 Q. Do you know who controlled the cash flow 11:07:24
21 at SFC?

22 MR. BARNOWSKI: Object to the
23 form.

24 THE WITNESS: Andrew Yao did.

25

1 THE WITNESS: I have no idea. 11:20:45

2 BY MR. SHAPIRO:

3 Q. Was Rod Gagne or anyone from Pepper
4 Hamilton required to approve payments from SFC
5 to Andrew Yao? 11:20:54

6 MR. BARNOWSKI: Object to the
7 form.

8 THE WITNESS: Not that I know
9 of.

10 BY MR. SHAPIRO: 11:21:00

11 Q. Do you know whether or not SFC's board
12 of directors was required to approve payments
13 from SFC to Andrew Yao?

14 MR. BARNOWSKI: Object to the
15 form. 11:21:12

16 THE WITNESS: I don't know.

17 BY MR. SHAPIRO:

18 Q. Anyone ever tell you that?

19 A. No.

20 Q. And did anyone ever tell you that Rod 11:21:20
21 Gagne or anyone from Pepper Hamilton was
22 required to approve payments from SFC to
23 Andrew Yao?

24 MR. BARNOWSKI: Object to the
25 form. 11:21:29

1 THE WITNESS: No. 11:21:30

2 BY MR. SHAPIRO:

3 Q. Do you remember ever talking to Rod
4 Gagne or anyone at Pepper Hamilton about any
5 payments from SFC to Andrew Yao? 11:21:44

6 A. No, I don't remember.

7 Q. So, you don't remember any conversations
8 like that?

9 A. I don't remember talking to anybody
10 about that. 11:22:01

11 Q. Okay. Toward the end of this exhibit --
12 well, strike that. Most of the e-mails in
13 this exhibit are from Andrew to you. Toward
14 the end, and specifically I'm looking at this
15 document it says "message 5559" at the top, 11:22:26
16 there is one e-mail coming from Diane Messick
17 to you?

18 MR. BARNOWSKI: I'm sorry, I
19 don't mean to interrupt you, but where are
20 you? 11:22:38

21 MR. SHAPIRO: It's the fourth
22 page from the end.

23 MR. BARNOWSKI: Okay.

24 BY MR. SHAPIRO:

25 Q. Do you know why Diane Messick became 11:22:47

1 A. I don't remember that one either. 11:30:08

2 Q. Back on the exhibit we were just looking
3 at, which is 237. Did Andrew Yao ever tell
4 you he had consulted with Rod Gagne or anyone
5 at Pepper Hamilton before directing you to 11:30:32
6 make one of these payments?

7 MR. BARNOWSKI: Object to the
8 form.

9 THE WITNESS: I don't recall
10 him ever telling me that, no. 11:30:39

11 BY MR. SHAPIRO:

12 Q. Do you remember Rod Gagne or anyone from
13 Pepper Hamilton ever directing you to transfer
14 any funds?

15 A. No, I don't. 11:30:56

16 Q. Did you ever ask Andrew Yao for an
17 explanation as to why he was asking you to
18 transfer funds?

19 A. No.

20 Q. I'm just going to run through a couple 11:31:13
21 names and tell me if you recognize these
22 names. Sheilah Gibson?

23 A. No.

24 Q. Maria DeCarlo?

25 A. No. 11:31:24

1 Q. Shari Richardson? 11:31:26

2 A. No.

3 Q. Joanne Fungaroli?

4 A. No.

5 Q. Darcy Lee? 11:31:34

6 A. No.

7 Q. Brad Barricka?

8 A. No.

9 Q. Tom Cole?

10 A. No. 11:31:45

11 Q. Jim Lawlor?

12 A. No.

13 Q. David Sirbeck?

14 A. No.

15 Q. Okay. In your experience, did Rod Gagne 11:31:55

16 or anyone from Pepper Hamilton ever do

17 anything that you considered to be unethical?

18 MR. BARNOWSKI: Object to the

19 form.

20 THE WITNESS: Not that I know 11:32:05

21 of, no.

22 BY MR. SHAPIRO:

23 Q. Yesterday I think you testified that you

24 met with Rod Gagne in person maybe once or

25 twice. 11:32:18

1 Do you remember how many times you met 11:32:19
2 with Rod Gagne in person?

3 MR. BARNOWSKI: Object to the
4 form.

5 THE WITNESS: I remember the 11:32:24
6 first time I met him. I remember it was a
7 couple years after I had been working there.
8 Maybe I met with him once after that, but I
9 don't remember specifically.

10 BY MR. SHAPIRO: 11:32:39

11 Q. Do you remember where these meetings
12 took place?

13 A. At the offices of Student Finance
14 Corporation.

15 Q. Which one? 11:32:44

16 A. Wilmington or Newark, where ever they
17 happened to be at that time in Delaware.

18 Q. But you're not referring to the Radnor
19 office or Wayne, I think you have referred to
20 it as Wayne? 11:32:58

21 A. No.

22 Q. Do you remember participating in any
23 conversations with others at SFC about Rod
24 Gagne?

25 A. Not specifically, no. 11:33:19

1 Q. Do you have any reason to believe that 11:37:30
2 Rod Gagne or anyone from Pepper Hamilton was
3 involved in that process?

4 MR. BARNOWSKI: Object to the
5 form. 11:37:41

6 THE WITNESS: Other than
7 writing up loan documents or -- because I
8 believe they used form documents after a
9 while. The original documents, I don't know
10 that they would have been involved in the 11:37:53
11 process.

12 BY MR. SHAPIRO:

13 Q. Do you have any reason to believe Rod
14 Gagne or anyone from Pepper Hamilton decided
15 which loans SFC would originate or purchase? 11:38:00

16 MR. BARNOWSKI: Object to the
17 form.

18 THE WITNESS: No, no.

19 BY MR. SHAPIRO:

20 Q. You mentioned documents involved in this 11:38:11
21 process. What documents are you referring to?

22 A. The process was set up before I was
23 there. So, I don't know specifically that
24 Pepper Hamilton had anything to do with
25 drafting the loan documents, but the student 11:38:31

1 THE WITNESS: I really don't 15:30:25
2 remember specific conversations with Rod and
3 I don't remember what was in the
4 conversations. So, I'm sorry, I don't know
5 how to answer that. 15:30:37

6 BY MR. SHAPIRO:

7 Q. Do you remember anything about this
8 Bankers Trust issue that is being referred to
9 here?

10 A. I don't have any memory of it. Peter 15:31:06
11 Becker was working with Bankers Trust who was
12 the backup servicer on the first grantor
13 trust?

14 Q. Do you have any reason to believe that
15 Rod Gagne or anyone from Pepper Hamilton ran 15:31:29
16 SFC?

17 MR. BARNOWSKI: Object to the
18 form.

19 MS. GOODMAN: Objection.

20 THE WITNESS: No, I don't 15:31:36
21 have any reason to believe that.

22 BY MR. SHAPIRO:

23 Q. Do you have any reason to believe that
24 Rod Gagne or anyone from Pepper Hamilton
25 controlled SFC's operations? 15:31:42

1 MR. BARNOWSKI: Object to the 15:31:44
2 form.

3 THE WITNESS: No, I don't
4 have any reason to believe that.

5 BY MR. SHAPIRO: 15:31:48

6 Q. Do you have any reason to believe that
7 Rod Gagne or anyone from Pepper Hamilton can
8 make business decisions for SFC?

9 MR. BARNOWSKI: Object to the
10 form. 15:31:55

11 THE WITNESS: No, I don't
12 have any reason to believe that.

13 BY MR. SHAPIRO:

14 Q. Is there any reason to believe that
15 anyone from Pepper Hamilton or Rod Gagne could 15:32:03
16 control the transfer or expenditure of SFC's
17 funds?

18 MR. BARNOWSKI: Object to the
19 form.

20 THE WITNESS: No, I don't 15:32:11
21 believe they could.

22 BY MR. SHAPIRO:

23 Q. Do you have any reason to believe that
24 Rod Gagne or anyone from Pepper Hamilton ever
25 contacted any of the schools from whom SFC 15:32:21

1 either originated or purchased loans? 15:32:25

2 MS. GOODMAN: Objection.

3 THE WITNESS: I don't know if
4 they did or not.

5 BY MR. SHAPIRO: 15:32:31

6 Q. Do you know if Rod Gagne or anyone from
7 Pepper Hamilton decided what interest rate
8 should be charged to the students who took SFC
9 loans?

10 MR. BARNOWSKI: Object to the 15:32:45
11 form.

12 THE WITNESS: I don't know if
13 he was involved in that or not, no.

14 BY MR. SHAPIRO:

15 Q. Do you know if Rod Gagne or anyone from 15:32:52
16 Pepper Hamilton decided which loans should be
17 transferred into the warehouse facilities?

18 MR. BARNOWSKI: Object to the
19 form.

20 THE WITNESS: No, I don't. 15:33:01

21 BY MR. SHAPIRO:

22 Q. Do you know if Rod Gagne or anyone from
23 Pepper Hamilton decided which loans should be
24 transferred from the warehouse facilities to
25 the securitizations? 15:33:12

1 MR. BARNOWSKI: Object to the 15:33:13
2 form.

3 THE WITNESS: No, I don't.

4 BY MR. SHAPIRO:

5 Q. Do you know if Rod Gagne or anyone from 15:33:19
6 Pepper Hamilton decided what interest rate the
7 institutional investors who purchased the
8 certificates should receive?

9 MS. GOODMAN: Objection.

10 MR. BARNOWSKI: Object to the 15:33:33
11 form.

12 THE WITNESS: No, I don't.

13 BY MR. SHAPIRO:

14 Q. Do you know if Rod Gagne or anyone from
15 Pepper Hamilton solicited the institutional 15:33:38
16 investors who would purchase the notes?

17 MS. GOODMAN: Objection.

18 MR. BARNOWSKI: Objection to
19 the form.

20 THE WITNESS: No, I don't. 15:33:49

21 BY MR. SHAPIRO:

22 Q. Do you know if Rod Gagne or anyone from
23 Pepper Hamilton was in anyway involved in the
24 servicing of the student loans?

25 MR. BARNOWSKI: Objection to 15:33:56

1 the form. 15:33:57

2 MS. GOODMAN: Objection.

3 THE WITNESS: Not that I know

4 of.

5 BY MR. SHAPIRO: 15:34:00

6 Q. Do you know if Rod Gagne or anyone from
7 Pepper Hamilton contacted any of the students
8 who took SFC loans?

9 MR. BARNOWSKI: Objection to
10 the form. 15:34:07

11 THE WITNESS: I don't know if
12 they did or not.

13 MS. GOODMAN: Objection.

14 BY MR. SHAPIRO:

15 Q. Do you know if Rod Gagne or anyone from 15:34:13
16 Pepper Hamilton had access to SFC's computer
17 systems?

18 MS. GOODMAN: Objection.

19 MR. BARNOWSKI: Objection to
20 the form. 15:34:20

21 THE WITNESS: No, I don't
22 know if they did or not.

23 BY MR. SHAPIRO:

24 Q. Do you know if Rod Gagne or anyone from
25 Pepper Hamilton evaluated your performance as 15:34:29

1 an employee of SFC? 15:34:31

2 MS. GOODMAN: Objection.

3 MR. BARNOWSKI: Object to the
4 form.

5 THE WITNESS: No, I don't 15:34:36
6 believe they do.

7 BY MR. SHAPIRO:

8 Q. Do you know if Rod Gagne or anyone from
9 Pepper Hamilton played any role in setting
10 your salary? 15:34:42

11 MR. BARNOWSKI: Object to the
12 form.

13 THE WITNESS: Not that I know
14 of.

15 MS. GOODMAN: Objection. 15:34:45
16 BY MR. SHAPIRO:

17 Q. Did Rod Gagne or anyone from Pepper
18 Hamilton ever tell you how to do your job?

19 MR. BARNOWSKI: Object to the
20 form. 15:34:51

21 THE WITNESS: Not that I know
22 of.

23 BY MR. SHAPIRO:

24 Q. Did Rod Gagne or anyone from Pepper
25 Hamilton supervise your work? 15:34:57

1 MR. BARNOWSKI: Object to the 15:35:00
2 form.

3 THE WITNESS: Not that I know
4 of.

5 BY MR. SHAPIRO: 15:35:09

6 Q. Are you aware that SFC was placed into
7 bankruptcy in 2002.

8 A. Yes, I am.

9 Q. Do you have any understanding as to why
10 that happened? 15:35:16

11 A. No. I don't have the particulars as to
12 how or why that happened.

13 Q. Generally, do you have any general
14 understanding?

15 A. Generally, I understand that the 15:35:29
16 forbearance payments were stopped being made
17 and the loans all defaulted and it sent them
18 into bankruptcy. That's what I generally
19 understand.

20 Q. And from whom did you obtain this 15:35:42
21 understanding?

22 A. I'm not sure.

23 Q. Can you pull out Exhibits 202 and 203
24 from yesterday. Exhibit 202, do you have any
25 idea who drafted that document? 15:36:35

1 to form.

2 THE WITNESS: Yes, I

3 believe they would.

4 BY MR. EPSTEIN:

5 Q. All right, now, I would like to 14:59:18

6 take a look at the ledger. And I'm

7 a little -- can you look at it?

8 229, Exhibit 229. And again, I'm

9 having difficulties reading it. I

10 don't know if your copy is any 14:59:30

11 better.

12 But do I understand that

13 the ledger, the general ledger with

14 respect to these transactions, if

15 you had tried to see them at the 14:59:44

16 time that you were working there,

17 you would actually see the ledger in

18 the form that we have been given in

19 229?

20 A. You can see it detailed like 14:59:56

21 this or you could see just the total

22 that had been paid year to date.

23 Q. But it would be by each

24 individual lender?

25 A. Yes. 15:00:08

1 Q. And if there were any other
2 lenders to Student Finance during
3 that period, would you expect that
4 there would be ledger sheets with
5 respect to each of those lenders? 15:00:26

6 A. Yes.

7 Q. Would there have to be under the
8 accounting system that you were in
9 charge of?

10 A. Yes, I set the loans up, so that 15:00:46
11 each loan is listed separately.

12 Q. Do you recall the names of any
13 other individuals who loaned money
14 to Student Finance?

15 A. No, I don't. 15:01:02

16 Q. Do you know whether, in fact,
17 there were any loans from any other
18 individuals, other than Pamela
19 Gagne, Robert Bast and the Trust
20 that we have mentioned? 15:01:12

21 A. Not that I can remember.

22 Q. The name Jacoby doesn't ring a
23 bell with you?

24 A. I can't remember who he was, no.

25 Q. You don't remember whether he 15:01:32

1 was, indeed, a lender or a person
2 that lent money?

3 A. No, I don't remember.

4 Q. Do you know a company called
5 SWH?

15:01:42

6 A. No, I don't.

7 Q. You never heard of them? Did
8 Mr. Yao himself ever lend money to
9 the company, do you know?

10 A. I don't remember.

15:01:58

11 Q. Do you recall whether you ever
12 set up a sheet, a ledger sheet for
13 Mr. Yao with respect to loans that
14 he may have made to the company?

15 A. No, I don't remember.

15:02:12

16 Q. Would you consider the ledger --
17 and again, I may use the wrong term,
18 and correct me, but the general
19 ledger, the ledger sheets that you
20 set up, would you consider them to
21 be records that are kept in the
22 ordinary course of business?

15:02:24

23 A. Yes, I would.

24 Q. Okay, I would like you to take a
25 look at these pages, because I have

15:02:40

1 a couple of questions. Maybe you
2 could help me a little bit on this.

3 On the second page, which
4 is -- I'm sorry, this is going to be
5 very difficult. It is the page 15:02:54
6 where the top entry is dated January
7 22, '97.

8 A. Yes.

9 Q. And it represents a payment to
10 Mr. Bast; correct? 15:03:08

11 A. Yes.

12 Q. If you go down about eight or --
13 about eight, nine lines, there is a
14 notation there that says 15 percent,
15 31 days. 15:03:20

16 Do you know what that is?

17 A. I believe that it was 15 percent
18 interest and being paid for 31
19 days.

20 Q. And the second entry would be 10 15:03:34
21 percent interest for 31 days?

22 A. Yes.

23 Q. Would you actually put that into
24 the ledger sheet or would that do it
25 automatically? And again, correct 15:03:46

1 me if my terminology is wrong.

2 A. I would actually enter that as a
3 memo to the transaction.

4 Q. And how would you know that it
5 was 31 days of interest that you 15:04:00
6 were paying with that particular
7 payment? Would you go to the
8 underlying documents?

9 A. I am not sure that I would pull
10 the underlying documents out every 15:04:22
11 time. I think that I had a list of
12 what the loans were, what the
13 interest rates were, and then
14 whatever month I was paying for was
15 30 days, 31 days, 28 days, whatever 15:04:32
16 it might be.

17 Q. So you maintained your own
18 little schedule or your own little
19 notes, which would help you, so you
20 wouldn't have to pull out all the 15:04:40
21 documents every month; correct?

22 A. Yes, I believe I did.

23 Q. Now, a couple of lines down,
24 there is some entries, October 20, I
25 think November 20, December -- can 15:04:52

1 you tell us, would you insert those
2 entries as well or did you insert
3 those entries as well?

4 A. Yes, I did.

5 Q. And what do they reflect? 15:05:02

6 A. I believe that they are interest
7 payments that didn't go out until
8 December for those time periods.

9 Q. And why didn't they go out?

10 A. I don't remember. 15:05:16

11 Q. Could it have been lack of funds
12 at a particular time?

13 MR. BARNOWSKI: I object
14 to form.

15 THE WITNESS: Not usually 15:05:34
16 lack of funds. There never usually
17 was a lack of funds.

18 BY MR. EPSTEIN:

19 Q. So what would be a reason?

20 A. Just a simple error that they 15:05:42
21 didn't go out.

22 Q. Okay.

23 So it was part of the
24 relationship with these people that
25 the payments would be made 15:05:48

1 regularly, once a month?

2 A. Yes, I believe so.

3 Q. And that if a payment didn't go

4 out, it would really be an unusual

5 situation which would be remedied; 15:06:00

6 correct?

7 A. Correct.

8 Q. If we go down further, we see

9 similar entries, and I assume that

10 with respect to each of these, you 15:06:12

11 are the person that made the entries

12 or the notations in the middle

13 column?

14 A. Yes. During this time period,

15 it would have been me. 15:06:22

16 Q. The next page, I don't see any

17 notes along those lines. The next

18 page, no notes.

19 And then I see, on a page

20 where the first entry is January 15, 15:06:40

21 1999, for the James T. Brennan

22 Trust, I see the word deposit on the

23 second line.

24 Do you know what that

25 means? 15:06:54

1 (Whereupon a short break
2 was taken at this time.)

3 THE VIDEO TAPE OPERATOR:

4 Back on the record. The time is
5 15:20. 15:20:16

6 BY MR. EPSTEIN:

7 Q. Would you please again take a
8 look at Exhibit 229, second track?

9 A. (Witness complies.)

10 Q. It would appear from these 15:20:30
11 documents that the first year that
12 is shown on here is 1996, and the
13 last year is 2002; is that correct?

14 A. Yes.

15 Q. And would you flip through, if 15:20:52
16 you would, the various pages of this
17 exhibit, and tell us whether this
18 document confirms your testimony
19 before, that for the most part,
20 interest payments were made on a 15:21:08
21 monthly basis on each of these
22 loans?

23 A. Yes, it appears that for the
24 most part, interest was paid
25 monthly. 15:22:14

1 Q. And that was through this entire
2 period; correct?

3 A. Correct.

4 Q. From 1996 to 2002?

5 MS. GOODMAN: Objection. 15:22:24

6 THE WITNESS: Correct.

7 BY MR. EPSTEIN:

8 Q. With respect to each of the
9 payments that are shown on this
10 exhibit, would the process be the 15:22:40
11 same as you described when I first
12 started questioning you on how
13 checks were actually issued or how
14 wire transfers were actually made?

15 A. Yes. 15:22:52

16 Q. In other words, you would sign a
17 check requisition or check request
18 form or whatever, if it was to go
19 out by check?

20 A. Yes. 15:23:02

21 Q. And if it was to go out by wire,
22 and a couple of these suggest that
23 payments were made by wire, would
24 you get authorization from Mr. Yao
25 to do that? 15:23:12

1 A. Yes.

2 Q. So these payments were made in
3 roughly the same ordinary course of
4 business that you would pay other
5 payables as well; correct?

15:23:28

6 MR. BARNOWSKI: I object
7 to form.

8 THE WITNESS: Correct.

9 BY MR. EPSTEIN:

10 Q. There was nothing unusual or
11 different about the payments that
12 are reflected in this exhibit?

15:23:36

13 MR. BARNOWSKI: I object
14 to form.

15 THE WITNESS: No.

15:23:42

16 BY MR. EPSTEIN:

17 Q. Did you ever meet Mr. Bast,
18 Robert Bast?

19 A. No, I do not believe I ever met
20 him.

15:23:56

21 Q. Did you ever speak to him?

22 A. I don't remember if I did or
23 not.

24 Q. Did you ever meet Mrs. Pamela
25 Gagne?

15:24:10

1 A. No, I do not believe I did.

2 Q. Did you ever speak to her?

3 A. No.

4 Q. During the entire time that you

5 were at Student Finance, did you 15:24:22

6 ever see a memorandum that was

7 either authored -- or a message that

8 was either authored by Mr. Bast or

9 Ms. Gagne or in which either was a

10 recipient of a message or memo or 15:24:40

11 communication?

12 MS. GOODMAN: Objection.

13 THE WITNESS: Not that I

14 remember seeing, no.

15 BY MR. EPSTEIN: 15:24:50

16 Q. To your knowledge, did they ever

17 attend any of your managers

18 meetings?

19 A. Not that I know of, no.

20 Q. To your knowledge, did they ever 15:24:58

21 offer any advice with respect to the

22 business operations of Student

23 Finance?

24 A. Not that I know of, no.

25 Q. Did they exercise any control to 15:25:08

1 your knowledge with respect to the
2 operations of Student Finance?

3 MR. BARNOWSKI: I object
4 to form.

5 THE WITNESS: Not that I 15:25:14
6 know of, no.

7 BY MR. EPSTEIN:

8 Q. Did you on occasion have
9 conference calls with people who
10 were interested in the business of 15:25:26
11 Student Finance, like auditors or
12 other people of that type?

13 A. Yes.

14 Q. Did you ever have a conference
15 call, where either Mr. Bast or Mrs. 15:25:38
16 Gagne were members or participants
17 in the call?

18 A. Not that I remember, no.

19 Q. Did Mr. Yao ever say to you
20 something along the lines, before I 15:25:50
21 make that decision, I better get on
22 the phone and get permission from
23 Mr. Bast or Mrs. Gagne?

24 A. No.

25 Q. As a matter of fact, did he say 15:26:00

1 that about anyone in the world?

2 A. No.

3 Q. He was, in fact, the boss;
4 correct?

5 MR. BARNOWSKI: I object 15:26:10
6 to the form.

7 THE WITNESS: Definitely
8 my boss, yes.

9 BY MR. EPSTEIN:

10 Q. Was he recognized by the other 15:26:18
11 employees of Student Finance when
12 you were there as being the boss?

13 MR. BARNOWSKI: I object
14 to form.

15 THE WITNESS: Yes. 15:26:26

16 BY MR. EPSTEIN:

17 Q. And the last word and the last
18 decision maker in the company?

19 MR. BARNOWSKI: I object
20 to form. 15:26:30

21 THE WITNESS: Yes.

22 BY MR. EPSTEIN:

23 Q. In the securitizations, can you
24 tell me, as best you can, who the
25 investors were? 15:27:32